

AR51



1980 Annual Report Dynamic Mining Exploration Ltd.
(No Personal Liability)

CONTENTS

To the Shareholders	1
Aux Actionnaires	3
Pawnee County, Kansas	5
Gonzales County, Texas	5
Bird River Area, Manitoba	6
Land Inventory	7
Baker Lake Area, N.W.T.	8, 9
Financial Statements	10
Notes to Financial Statements	13
Auditors' Report	16
Corporate Information.	Inside Back Cover

To the Shareholders

The Directors are pleased to present the Annual Report to Shareholders together with financial statements for the year ended December 31, 1980 and report on subsequent events.

In maintaining an aggressive attitude towards mining and petroleum and natural gas exploration and development during the year and subsequently, your Company has been able to engender an accelerating cash flow potential, while at the same time maintaining important positions in mineral development projects. The following is a summary of these activities.

To May 1, 1981, we have participated in the drilling of approximately 46 wells in Canada and the United States. Of these, 35 were completed as potential gas wells, four as potential oil wells, and seven were dry and abandoned. Our main area of activity was Pawnee County, Kansas where a total of 34 gas wells were completed. In January of this year the Company farmed out one-half of its interest in this prospect for \$750,000 (U.S.) cash. The wells have been undergoing extensive testing, our gas contract is being renegotiated and production is expected to commence in October of this year. The Company retains a 2½% working interest carried through the next approximately 90 wells.

Two Austin Chalk oil wells were recently completed in Gonzales County, Texas. The Company has a 6.25% working interest in the 473 acre farmout. Test work will be completed prior to June 30th and production is expected to commence forthwith. Because of the nature of the Austin Chalk formation it is difficult to forecast production rates. Wells in the area produce anywhere from 50 to 250 barrels of oil per day.

Two oil wells completed in Fresno County, California in 1980 have experienced mechanical difficulties. The wells have been producing between 10 and 40 BOPD and are currently being reworked. We believe that these rates can be improved on substantially.

We have continued to acquire freehold leases in central Alberta and are currently holding 9,762 gross acres (7,809 net acres).

The Company retained a net 20% working interest at no cost in a potential gas well completed early this year in Section 19-43-23-W4M — Alberta. This well is currently being evaluated.

Baker Lake Uranium Project

Significant progress was achieved in what is becoming an even larger overall project in the Baker Lake uranium area of the Northwest Territories. Your Company participates to the extent of 14.1% with the operator, Pan Ocean Oil Ltd. holding the majority interest of 60.2%.

In the 1980 season, in addition to extensive air and ground geophysics, geological mapping and ground prospecting, a total of 6 157.9 m (20,198 ft.) of diamond drilling was carried out in a total of 42 holes, all of which essentially were structural investigations.

This work has led to a redirection of emphasis and has allowed the operators to reach important conclusions regarding the potential of the project. On the basis of this encouraging data, landholdings of the project have been substantially increased and now stand at a total of 424,914 acres, as compared to 110,000 acres the previous year.

Expenditures in the 1980 season totalled \$2,203,103, of which your Company was responsible for \$310,637. The 1981 program will be consolidated, essentially detailing targets for a substantial drilling program in 1982 and therefore, the capital budget projects outlays of \$816,500, of which your Company will be responsible for \$115,200. However it is indicated at this point that 1982 expenditures will increase substantially.

Bird River Chromite Deposits

For some time now, evidence has been mounting of the importance of developing production resources of a number of the so-called "strategic metals" in the Western Hemisphere and particularly in North America, to offset the almost complete dependence of American industry for many of these metals on socio-politically unreliable sources of supply in Africa, Asia and the Soviet bloc.

Chromium is high on this critical list, and your Company was most fortunate subsequent to the fiscal year-end in obtaining options on favorable terms to purchase over a three-year period (subject to a 5% gross royalty to the vendors) two important chromite deposits in the Bird River area of Manitoba.

These two deposits are recognized as two of the premium chromite occurrences in Canada; Dr. D. T. Anderson, acting as technical consultant to your Company on these acquisitions, summarized their ore reserves, based on extensive mapping, trenching, bulk sampling and diamond drilling by previous owners, as follows:

The Chrome Property

Indicated reserves	
to 650 ft. depth	1,220,000 tons
Grade	18.2 Cr ₂ O ₃
Probable reserves	
to 650 ft. depth	2,560,000 tons

Euclid Lake Property

Indicated reserves	
to 1,000 ft. depth	11,000,000 tons
Grade	4.6% Cr ₂ O ₃
Additional tonnage	676,000 tons
Grade	6.7% Cr ₂ O ₃

Simultaneous to these property acquisitions, your Company entered into negotiations for and is now acquiring world rights (represented by two Patents, No. 1071833 in Canada, and No. 3,999,981 in the United States) to an entirely new and highly innovative metallurgical treatment procedure for chromite ores developed by the Ontario Research Foundation, a world-renowned, non-profit research facility located near Toronto.

The concept behind these techniques is unique — the method utilizes low cost coal as both an energy source and a carbonizing medium, and yields what is termed a "dirty" product that nonetheless would be acceptable to industrial consumers. Thus, low production costs are indicated that add materially to the production potential of the Bird River chrome deposits.

Your Company is funding further development work at the Ontario Research Foundation and at the same time, feasibility studies are being initiated in connection with the possibilities of placing the Bird River deposits in production. Elsewhere in this report is a commentary on the world chrome situation.

In addition to the acquisition of the two chrome deposits, your Company has acquired other properties in the Bird River-Bernic Lake area and is now initiating an exploration program on these properties under the direction of Dr. Anderson. Three diamond drill holes completed in May 1981 intersected massive sulphides between 255 and 270 feet and the cores are currently out for assay.

The Company has funded a solar research project headed by Professor Tang Lee of the University of Calgary. The prototype collector is of the air type and is designed for operation in Canadian climatic conditions and we are currently assembling 40 units for installation on the Chinese Alliance Church in Calgary.

The units will undergo extensive testing over the next twelve months and if they prove to be viable, production potential will be investigated.

In conclusion, it is to be noted that an aggressive policy towards seeking and carrying out additional projects will be followed.

Respectfully submitted
on behalf of
the Board of Directors

Gordon R. Travis
President

June 10, 1981

Aux Actionnaires

Les administrateurs ont le plaisir de soumettre aux actionnaires leur rapport annuel ainsi que les états financiers pour l'exercice terminé le 31 décembre 1980. Nous tenons également à vous faire part de certains événements subséquents.

Fidèle à sa politique agressive d'exploration et de mise en valeur minières, pétrolières et gazières au cours de l'exercice et par la suite, notre compagnie a pu créer un potentiel de fonds autogénérés grandissant tout en conservant des participations importantes dans des projets de mise en valeur minière. Le texte que voici résume ces activités.

Au 1er mai 1981, la compagnie avait participé au forage d'environ 46 puits, au Canada et aux Etats-Unis. De ce nombre, 35 puits à potentiel de gaz et 4 puits à potentiel de pétrole furent conditionnés alors que 7 puits étaient secs et furent abandonnés.

Les efforts de la compagnie étaient principalement dirigés vers le comté Pawnee, au Kansas, où 34 puits de gaz furent complétés. En janvier de cette année, la compagnie a amodié la moitié de sa participation dans cette zone d'intérêt en contrepartie de \$750,000 (E.-U.) en espèces. La Dynamique a conservé un intérêt économique direct de 2½% qui sera dérogatoire au cours du forage des prochains 90 puits. Ces puits subissent à l'heure actuelle des essais étendus. Le contrat de vente de gaz de la compagnie est présentement en voie de renégociation. On prévoit débuter en octobre de cette année, la production à un débit de jusqu'à 15 MMpc par jour.

Deux puits de pétrole Austin Chalk furent conditionnés dans le comté Gonzales, au Texas. La compagnie détient un intérêt économique direct de 6.25% dans les 473 acres amodiées. Les essais seront complétés avant le 30 juin et la production débutera aussitôt. Il est difficile de prévoir le débit de production étant donné la nature de la formation Austin Chalk. Le débit de production des puits dans la région varie de 50 à 250 barils de pétrole par jour.

Nous poursuivons l'acquisition de baux en propriété exclusive dans le centre de l'Alberta où nous détenons à l'heure actuelle 9,762 acres brutes (7,809 acres nettes).

La compagnie a conservé, sans frais, un intérêt économique direct de 20% net dans un puits à potentiel de gaz conditionné au début de cette année dans la section 19-43-23 W4M — Alberta. Ce puits est à l'heure actuelle au stade d'essai.

Projet d'uranium de Baker Lake

Des progrès importants ont été réalisés au niveau du projet d'uranium de Baker Lake, Territoires du Nord-Ouest. Ce projet prend de plus en plus d'importance. La compagnie détient une participation de 14.1% dans ce projet dont l'exploitant, la Pan Ocean Oil Ltd. détient la participation majoritaire (soit 60.2%).

Au cours de la saison 1980, 6 157.9 m (20,198 pieds) furent forés au diamant dans l'ensemble dans un total de 42 trous aux fins d'évaluation de la structure, et ce, en plus des travaux étendus de géophysique, tant au sol que dans les airs et des travaux d'exploration au sol et de cartographie géologique.

Ces travaux ont entraîné une nouvelle orientation et ont permis à l'exploitant de formuler d'importantes conclusions relatives au potentiel du projet. En se fondant sur ces résultats encourageants, l'avoir en superficie a été augmenté de façon importante et se chiffre maintenant à 424,914 acres (comparativement à 110,000 acres l'année passée).

Les frais engagés au cours de la saison 1980 se sont chiffrés à \$2,203,104. La quote-part de la compagnie s'est élevé à \$310,637. Le programme de 1981 a pour but de consolider l'état des connaissances du projet, principalement par le biais de travaux destinés à cerner les cibles en prévision du programme de forage important de 1982. Par conséquent, le budget en capital prévoit des dépenses de l'ordre de \$816,500. La quote-part de la compagnie sera de \$115,200. Nous désirons, cependant, attirer votre attention sur le fait que le montant des frais à être engagés en 1982 sera substantiellement plus élevé.

Gisements de chromite de Bird River

Depuis quelque temps déjà, la nécessité de mettre en production un certain nombre de métaux "dits stratégiques" dans l'Hémisphère de l'Ouest et plus particulièrement en Amérique du Nord se fait de plus en plus pressante, afin d'enrayer la dépendance quasi-totale de l'industrie américaine pour plusieurs de ces métaux sur des sources d'approvisionnement de l'Afrique, de l'Asie et du bloc soviétique dont l'infrastructure socio-politique n'est pas sûre.

Le chrome est l'un des éléments prioritaire sur la liste de ces métaux critiques. La compagnie est très fortunée d'avoir fait l'acquisition, à des termes favorables, d'options d'achat sur une période de trois ans portant sur deux importants gisements de chrome dans la région de Bird River, Manitoba (sous réserve d'une redevance brute de 5% payable aux vendeurs).

Ces deux gisements sont reconnus comme étant deux des indices minéralisés de chrome de choix au Canada. Le docteur D. T. Anderson, à titre de conseiller technique de la compagnie lors de cette acquisition, a résumé les réserves de minerais, en se fondant sur une cartographie étendue, des tranchées, des prélèvements en vrac et des forages au diamant effectués par les auteurs en titre, comme suit:

L'avoir de Chrome

Réserves indiquées à une profondeur de 650 pieds	1,220,000 tonnes
Teneur	18.2 Cr ₂ O ₃
Réserves probables à une profondeur de 650 pieds	2,560,000 tonnes

L'avoir d'Euclid Lake

Réserves indiquées à une profondeur de 1,000 pieds	11,000,000 tonnes
Teneur	4.6% Cr ₂ O ₃
Tonnage additionnel ..	676,000 tonnes
Teneur	6.7% Cr ₂ O ₃

Au même moment qu'elle effectuait ces acquisitions, la compagnie a engagé des pourparlers en vue de faire l'acquisition des droits mondiaux à un nouveau procédé de traitement métallurgique de mineraux de chromite très innovateur (représenté par deux brevets no. 1071833, au Canada, et no. 3,999,981, aux Etats-Unis) qui a été développé par l'Ontario Research Foundation, une installation de recherche sans but lucratif à réputation internationale située près de Toronto.

Le concept sous-jacent de ce procédé est unique; il consiste à utiliser du charbon à prix modique, tant à titre de source d'énergie que d'intermédiaire de carbonisation. Le produit qui en résulte est désigné comme produit "sale" mais est néanmoins accepté par le consommateur industriel. Le potentiel des gisements de chrome de Bird Lake est donc rehaussé par des frais de production peu élevés.

La compagnie finance d'autres travaux de développement à l'ORF. Au même moment, les études de faisabilité se poursuivent en vue d'étudier la possibilité de mettre en production les gisements de Bird Lake. Le rapport contient ailleurs certains commentaires sur la situation mondiale du chrome.

En plus de cette acquisition de deux gisements de chrome, la compagnie a acheté d'autres avoirs dans la région Bird River-Bernic Lake et a débuté un programme d'exploration sur ces avoirs sous la direction du Dr. Anderson. Trois forages au diamant furent complétés en mai 1981 qui ont intersecté des sulphides massifs entre 255 et 270 pieds de profondeur. Les carottes ont été envoyées pour essayage.

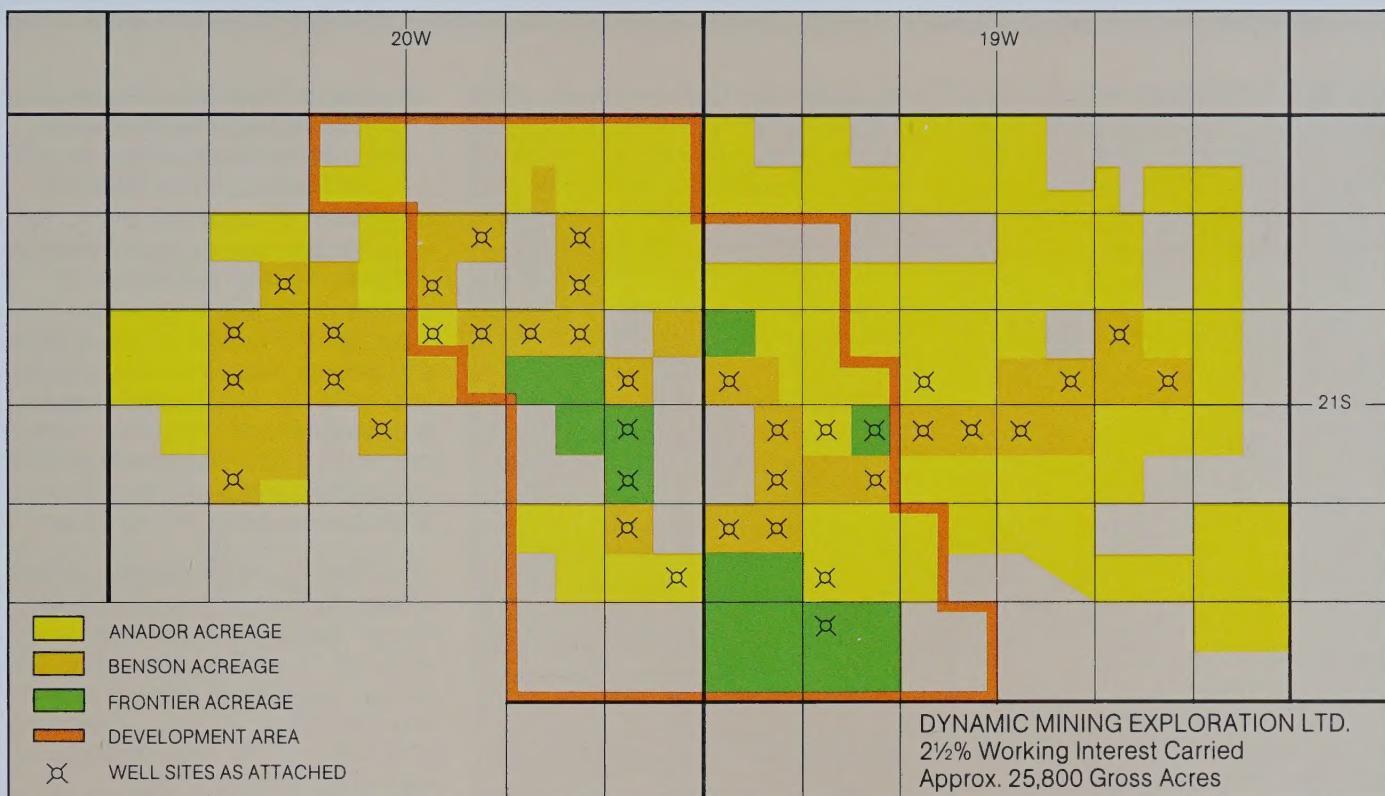
La compagnie a financé un projet de recherche solaire sous la direction du professeur Tang Lee de l'Université de Calgary. Le collecteur prototype est un de ceux qui fonctionnent à l'air et est conçu pour les conditions climatiques canadiennes. La compagnie fabrique présentement 40 unités pour installation sur la Chinese Alliance Church, à Calgary. Ces unités seront évaluées au cours des 12 prochains mois et s'ils s'avèrent viables, leur potentiel de production sera étudié.

En guise de conclusion, la direction désire souligner le fait qu'elle entend poursuivre une politique agressive de recherche et de mise en valeur d'autres projets.

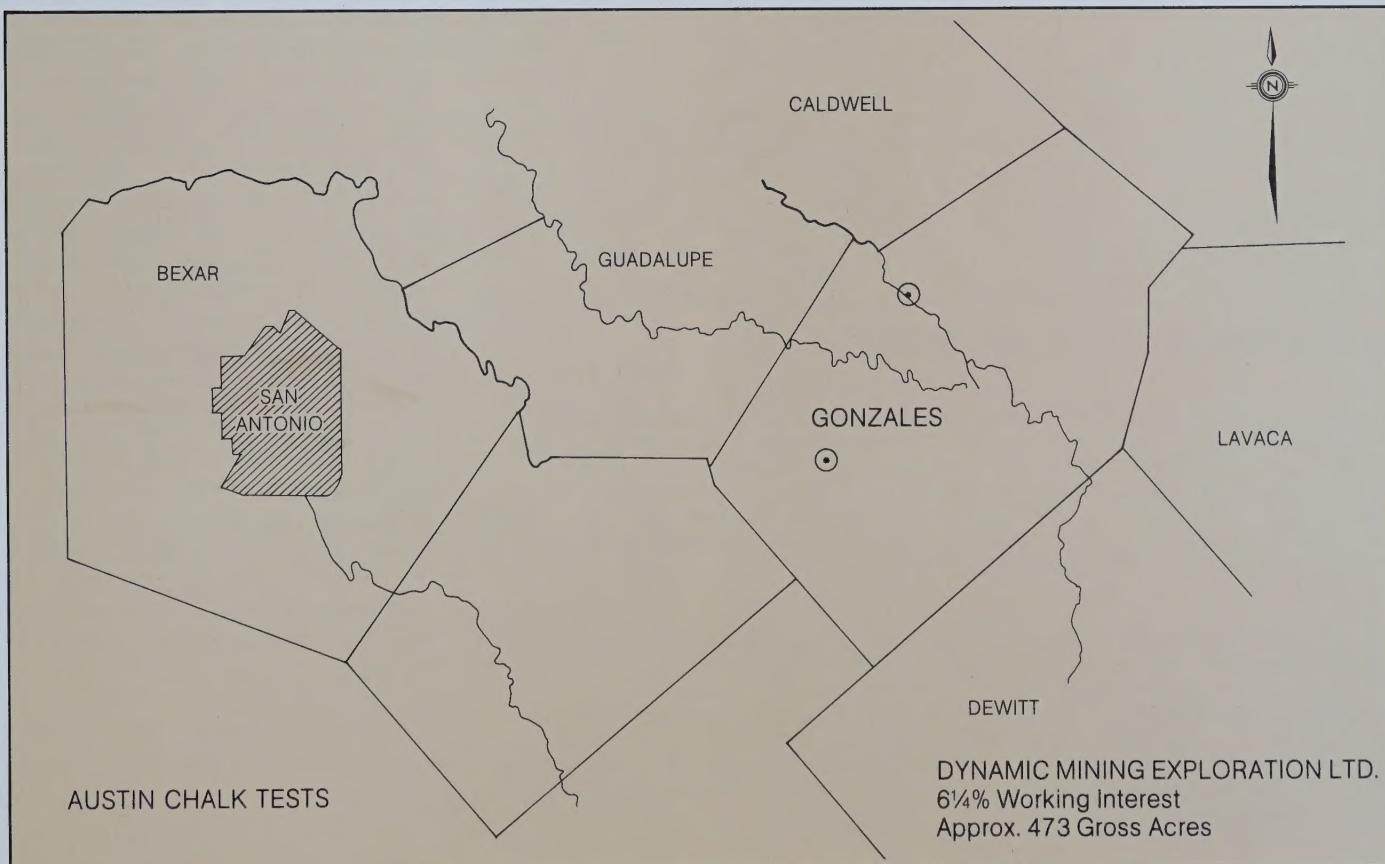
Soumis respectueusement
au nom du conseil
d'administration

Gordon R. Travis
Président

Le 10 juin 1981



PAWNEE COUNTY, KANSAS



GONZALES COUNTY, TEXAS

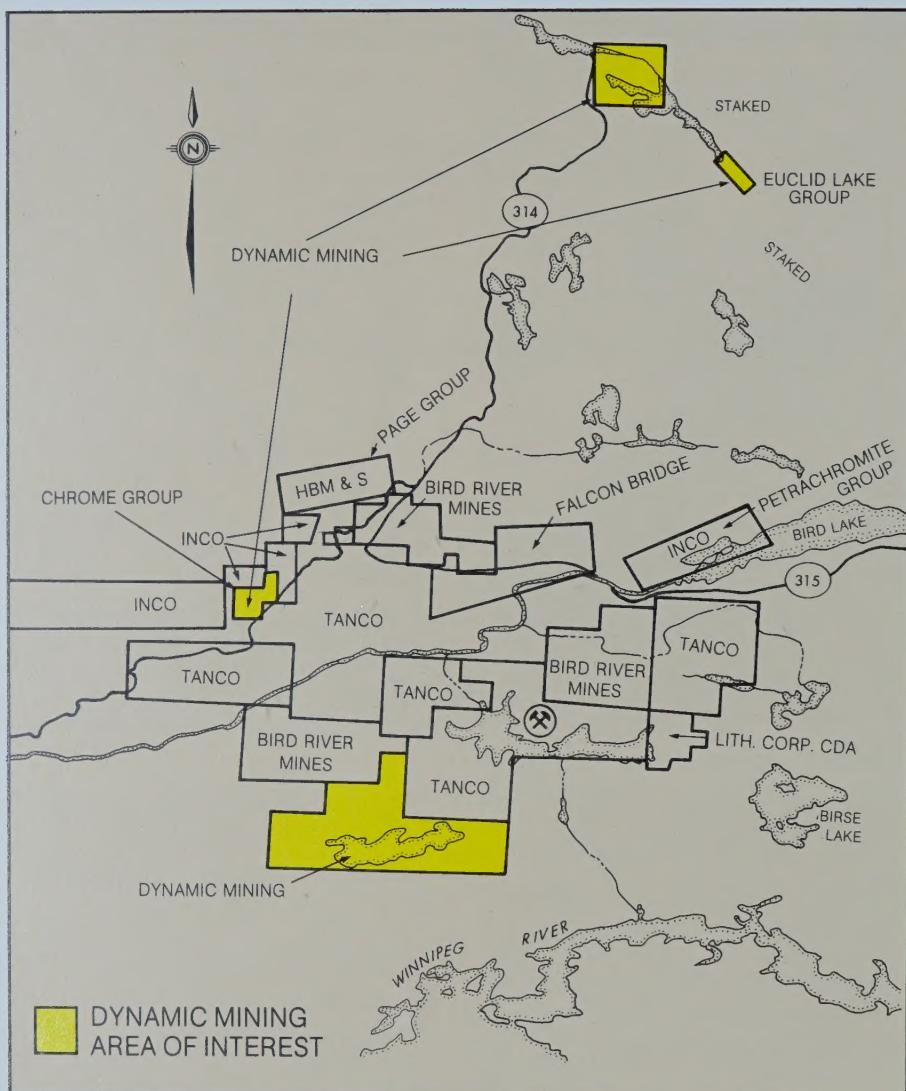
Chrome is Vital to U.S. Industry — But There is No American Mine Production

Chromium is essential in producing stainless steel, which in turn is essential in the production of jet aircraft (one jet engine requires 1,656 lb. of chromium), many other armaments, automobiles, mining and drilling machinery, hospital equipment and surgical instruments. Too, it is extensively used in the plating industry. In all these applications, it has no substitute.

Thus, it is an oddity that the United States, by far and away the world's largest chromium consumer (world demand, in 1979, exceeded ten million short tons) does not mine any chromium. In fact, it produces only 10% of its requirements by way of reclaiming scrap.

As opposed to this, South Africa produces 34% of world supply, the Soviet 23%, Zimbabwe 6%. Thus, it is no secret that the U.S. is highly vulnerable to socio-politically-unreliable suppliers. Since the advent of the Reagan administration, this vulnerability — especially in light of mounting defence consciousness — has raised alarm bells in the Western Hemisphere, creating an atmosphere in which long-delayed production potentials of chromium in North America will receive the attention they deserve.

It is interesting to note that until now the West Germans, of all the NATO nations, are the only ones to recognize the urgency of establishing politically reliable sources of chromium production. A Cabinet-level study of West German needs showed that a 30% curtailment in chromium supplies would lead to a 25% reduction in their gross national product, terminating no less than three million jobs.



BIRD RIVER AREA, MANITOBA

Logistically speaking, the chromite properties acquired by Dynamic Mining in the Bird River area are favorably located, lying about 125 miles from the City of Winnipeg as seen in the accompanying index map. Not only is a year-round, first grade road network, including provincial highway No. 315, serving the area, but also a primary hydro transmission line makes hydro power available. The area has long been a centre of mine exploration and development, and therefore offers all the necessary back-up service facilities needed in a new mine development.

Du point de vue logistique, les avoirs de chromite de Bird Lake achetés par la Dynamique dans la région de Bird Lake sont situés favorablement, soit à 125 milles de la ville de Winnipeg, tel que démontré sur la carte ci-jointe. Ces avoirs sont accessibles non seulement à un réseau routier de première classe ouvert à l'année longue, y compris la route provinciale n° 315, mais aussi à l'énergie hydro-électrique par la voie d'une ligne de transmission principale. Cette région est depuis longtemps un centre d'exploration et de mise en valeur minière et, par conséquent, toute l'infrastructure nécessaire est disponible pour le développement d'une nouvelle mine.

**Le chrome — élément vital pour l'industrie américaine.
Aucune mine américaine n'est cependant en production.**

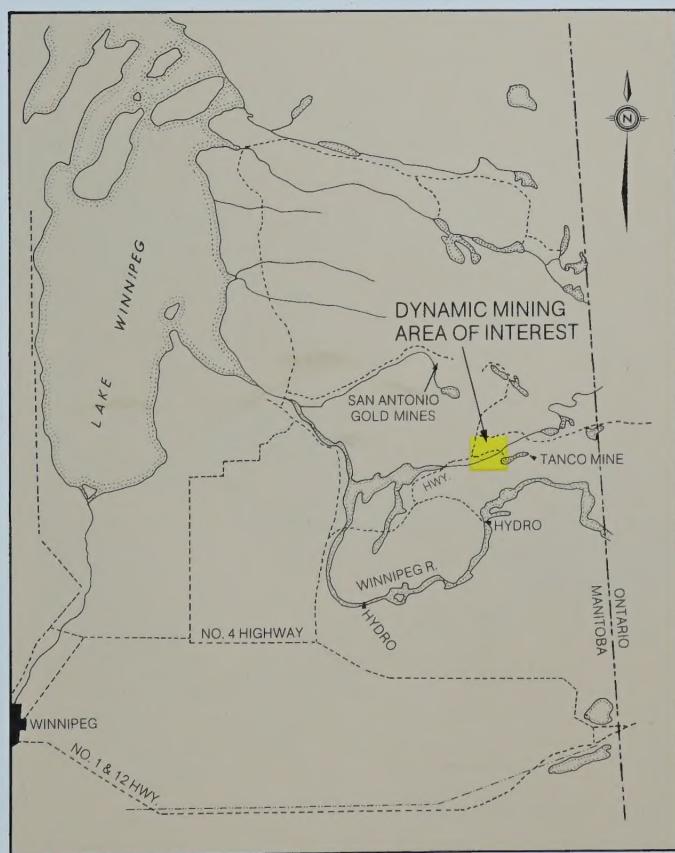
Le chrome est un élément essentiel à la production d'acier inoxydable. L'acier inoxydable est essentiel à son tour à la production d'avions à réaction (un moteur à réaction implique 1,656 livres de chrome), de plusieurs autres armes, d'automobiles, de machinerie de mine et de forage, d'équipements d'hôpitaux et d'équipements chirurgicaux. Le chrome est également employé très couramment dans l'industrie du placage. Aucun substitut n'est possible dans chacun de ces cas.

Par conséquent, il est étrange qu'aux États-Unis, le consommateur le plus important de chrome au monde (la demande mondiale en 1979 était supérieure à 10 millions de tonnes courtes) on ne mine pas le chrome. En fait, les États-Unis produisent seulement 10% de leurs besoins au moyen du recyclage de rebuts.

Par opposition, l'Afrique du Sud produit 34% de l'approvisionnement mondial, le bloc soviétique 23% et la Zambie 6%. Il est donc évident que l'économie américaine est vulnérable aux fournisseurs dont l'infrastructure socio-politique n'est pas sûre. Depuis l'accession de l'administration Reagan, cette vulnérabilité — surtout dans le cadre des soucis grandissants de défense — suscite des inquiétudes dans l'Hémisphère de l'Ouest.

Cette situation favorise la mise en valeur tant retardée des dépôts de chrome en Amérique du Nord.

Il est intéressant de noter que de tous les pays de l'OTAN, seul l'Allemagne fédérale s'est penchée sur la nécessité urgente d'établir des sources d'approvisionnement en production de chrome sûres. Une étude des besoins effectuée par le cabinet de l'Allemagne fédérale a démontré qu'une diminution de 30% de l'approvisionnement de chrome résulterait en une réduction de 25% du produit national brut et entraînerait la perte de trois millions d'emplois.



LAND INVENTORY

Area	Percentage	Gross	Net
Baker Lake, N.W.T.	14.10	424,914	59,913
Bigoray	7.00*	3,200	224
Central Alberta	80.00	9,762	7,809
Donaldda.....	12.50	640	80
Doris Creek.....	4.50	12,160	547
East Marten Hills	4.00*	13,760	554
Joffre	2.30	480	11
Newbrook (Hollow)	8.00	2,560	205
West Provost	9.00	1,760	158
Wood River (Samson).....	57.278	1,005	576
Ellmore	5.00	1,600	80
Total Canadian.....		471,841	70,157
California			
— Fresno County.....	5.00	710	35
— Kern County.....	5.00	4,480	224
North Dakota			
— Foster & Towner	5.00	24,600	1,230
Nebraska — N. Albin	5.00	1,306	65
Kansas — Pawnee County....	2.50	25,800	645
Kentucky — Whitley County... .	25.00	1,034	258
Texas — Gonzales County....	6.25	473	30
Kissinger — 8 well program...	3.12	5,326	166
Total U.S.....		63,729	2,653
Grand Total.....		535,570	72,810

* average



DYNAMIC MINING EXPLORATION LTD.
(No Personal Liability)

LAND HOLDINGS
BAKER LAKE AREA, N.W.T.



Consolidated Balance Sheet

As at December 31, 1980

	1980	1979
ASSETS		
CURRENT ASSETS		
Cash and term deposit.....	\$ 146,034	\$ —
Accounts receivable		
Trade	16,086	34,296
Sale of property	—	1,225,000
Prepaid expenses	27,121	19,394
	<u>189,241</u>	<u>1,278,690</u>
PROPERTY AND EQUIPMENT, at cost (note 2)	2,279,060	1,743,125
Less accumulated depreciation and depletion	7,522	4,248
	<u>2,271,538</u>	<u>1,738,877</u>
	<u><u>\$2,460,779</u></u>	<u><u>\$3,017,567</u></u>
LIABILITIES		
CURRENT LIABILITIES		
Bank production loan	\$ —	\$ 377,000
Accounts payable and accrued liabilities.....	<u>543,924</u>	<u>255,688</u>
	<u><u>543,924</u></u>	<u><u>632,688</u></u>
DEFERRED INCOME TAXES	352,599	591,319
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 3)		
Authorized		
10,000,000 Common shares, par value \$1 each		
Issued		
4,221,290 Shares (1979 — 4,116,290).....	2,269,012	2,186,288
CONTRIBUTED SURPLUS	100,634	100,634
DEFICIT	(805,390)	(493,362)
	<u>1,564,256</u>	<u>1,793,560</u>
	<u><u>\$2,460,779</u></u>	<u><u>\$3,017,567</u></u>

Approved by the Board

GARY T. BRAZZELL, Q.C., Director

GORDON R. TRAVIS, Director

Consolidated Statement of Earnings and Deficit

Year Ended December 31, 1980

	1980	1979
Revenue		
Oil and gas sales.....	\$ 24,650	\$ 444,950
Other	98,405	—
	<u>123,055</u>	<u>444,950</u>
Expenses		
Production.....	5,482	206,114
Administration.....	210,362	183,019
Non-productive exploration.....	448,257	94,553
Interest.....	5,078	26,578
Depreciation and depletion.....	4,624	78,683
	<u>673,803</u>	<u>588,947</u>
Loss before income taxes	(550,748)	(143,997)
Deferred income taxes (reduction)	(238,720)	(67,800)
Loss before extraordinary item.....	<u>(312,028)</u>	<u>(76,197)</u>
Extraordinary item		
Gain on sale of petroleum and natural gas properties, net of deferred taxes of \$503,800.....	—	91,583
NET EARNINGS (LOSS).....	<u>(312,028)</u>	<u>15,386</u>
DEFICIT AT BEGINNING OF YEAR	(493,362)	(508,748)
DEFICIT AT END OF YEAR	<u><u>\$(805,390)</u></u>	<u><u>\$(493,362)</u></u>
EARNINGS (LOSS) PER SHARE		
Loss before extraordinary item.....	(7.4¢)	(1.9¢)
Extraordinary item	—	2.2¢
Net earnings (loss).....	<u>(7.4¢)</u>	<u>.3¢</u>

Consolidated Statement of Changes in Financial Position

Year Ended December 31, 1980

	1980	1979
WORKING CAPITAL DERIVED FROM		
Issue of capital stock	\$ 82,724	\$ —
Proceeds on sale of property and equipment	75,000	1,184,933
Increase in bank production loan.....	—	127,000
	<u>157,724</u>	<u>1,311,933</u>
WORKING CAPITAL APPLIED TO		
Operations before extraordinary item	205,026	60,235
Additions to property and equipment		
Producing petroleum and natural gas properties	62,176	3,834
Non-producing petroleum and natural gas properties.....	505,074	86,247
Exploration and other expenditures on non-producing mining property.....	331,426	60,738
Office furnishings.....	54,707	2,696
Payment on agreement for sale	—	205,825
Decrease in bank production loan.....	—	377,000
	<u>1,158,409</u>	<u>796,575</u>
INCREASE (DECREASE) IN WORKING CAPITAL POSITION.....	(1,000,685)	515,358
WORKING CAPITAL AT BEGINNING OF YEAR	646,002	130,644
WORKING CAPITAL (DEFICIENCY) AT END OF YEAR.....	\$ (354,683)	\$ 646,002

Notes to Consolidated Financial Statements

Year Ended December 31, 1980

1. ACCOUNTING POLICIES

(a) Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Bravo Resources Ltd.

(b) Petroleum and Natural Gas Properties

The Company capitalizes the acquisition costs of both producing and non-producing petroleum and natural gas properties and charges such costs against earnings if the property is subsequently surrendered. The cost of drilling a productive well is capitalized and the cost of a non-productive well is charged to earnings when the well is determined to be dry. Depreciation and depletion of the costs of producing properties, development costs and production equipment is provided using the unit of production method based upon estimated quantities of proven petroleum and natural gas reserves as determined by the Company. The recovery of the costs of the non-producing petroleum and natural gas property is dependent upon developing economic operations or the sale or disposition of such property for amounts equal to the Company's investment therein.

All the Company's petroleum and natural gas exploration, development and production activities are conducted jointly with others. These consolidated financial statements reflect only the Company's proportionate interest in such activities.

(c) Non-Producing Mining Property

The costs of non-producing mining property are capitalized by area of interest when acquired and when all claims in an area of interest are surrendered such costs are written-off against earnings. Included in mining property costs are exploration, development and other expenditures which have been deferred with the intention that they be amortized against revenue from future mining operations. The recovery of the costs of the non-producing mining property is therefore dependent upon developing economic mining operations or the sale or disposition of such property for amounts equal to the Company's investment therein.

2. PROPERTY AND EQUIPMENT

	1980		1979	
	Cost	Accumulated Depletion and Depreciation	Net	Net
Producing petroleum and natural gas properties including development and equipment thereon	\$ 122,490	\$ 1,627	\$ 120,863	\$ 13,322
Non-producing petroleum and natural gas properties including development thereon.	967,472	—	967,472	881,571
Non-producing mining property				
Mineral claims	325,000	—	325,000	325,000
Deferred exploration, development and other expenditures	843,062	—	843,062	511,636
	1,168,062	—	1,168,062	836,636
Office furnishings	21,036	5,895	15,141	7,348
	<u>\$2,279,060</u>	<u>\$7,522</u>	<u>\$2,271,538</u>	<u>\$1,738,877</u>

3. CAPITAL STOCK

(a) Issued capital stock is comprised of:

Shares issued at par value or greater	1,636,285
Shares issued at a discount.	2,585,005
<u>4,221,290</u>	

(b) Details of shares issued during the year ended December 31, 1980 are as follows:

	Number of Shares	Ascribed Consideration
Balance December 31, 1979	4,116,290	\$2,186,288
Issued on exercise of stock options	55,000	32,724
Issued as partial consideration for a non-producing petroleum and natural gas property	50,000	50,000
Balance December 31, 1980	<u>4,221,290</u>	<u>\$2,269,012</u>

(c) At December 31, 1980 there were outstanding options to directors and officers to acquire 105,000 shares until August 28, 1982 at an exercise price of \$.60 per share.

4. SEGMENTED INFORMATION

The Company's operations fall into two business segments — petroleum and natural gas operations and mining. These operations are carried out in Canada and the U.S.A. Presented below are data relating to each business and geographical segment.

	Petroleum and Natural Gas		Mining	Total
	Canada	U.S.A.	Canada	
Oil and gas sales	\$ 24,650	\$ —	\$ —	\$ 24,650
Operating loss	<u><u>\$ (365,595)</u></u>	<u><u>\$ (68,118)</u></u>	<u><u>\$ —</u></u>	<u><u>\$ (433,713)</u></u>
Other revenue				98,405
Administration				(210,362)
Interest.....				(5,078)
Loss before income taxes.....				\$ (550,748)
Identifiable assets.....	\$ 761,257	\$ 342,219	\$ 1,168,062	\$ 2,271,538
Total assets	\$ 950,498	\$ 342,219	\$ 1,168,062	\$ 2,460,779
Capital expenditures.....	\$ 270,141	\$ 351,816	\$ 331,426	\$ 953,383

5. SUBSEQUENT EVENTS

- (a) In February 1981, the Company "farmed-out" a portion of its interest in a non-producing petroleum property in the U.S.A. for \$750,000 (U.S.) cash.
- (b) Subsequent to December 31, 1980 the Company issued 5,000 shares at \$.60 per share on the exercise of an officer's stock option.
- (c) In March 1981 and subject to regulatory approvals, the Company acquired an interest in a non-producing mining property in Canada for a total consideration of \$250,000 comprising 60,000 shares at an ascribed value of \$1 each, \$40,000 cash payable immediately and a further \$150,000 in cash, payable in three equal annual instalments commencing in 1982.

6. STATUTORY INFORMATION

Direct remuneration paid during the year to directors and senior officers of the Company (as defined by the Quebec Companies Act to include all employees of the Company) was \$84,294 (\$101,585 in 1979).

Auditors' Report

To the Shareholders of
Dynamic Mining Exploration Ltd.
(no personal liability)

We have examined the consolidated balance sheet of Dynamic Mining Exploration Ltd. (no personal liability) as at December 31, 1980 and the consolidated statements of earnings and deficit and changes in financial position for the year then ended and have obtained all the information and explanations we have required. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, according to the best of our information and the explanations given to us and as shown by the books of the Company, these consolidated financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the Company as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Canada
March 19, 1981

Thorne Riddell
Chartered Accountants

DIRECTORS

GORDON R. TRAVIS, *Calgary, Alberta*
VICTOR E. TRUDEL, *Calgary, Alberta*
GARY T. BRAZZELL, Q.C., *Winnipeg, Manitoba*
JOHN P. EMBRY, *Winnipeg, Manitoba*
PROF. TANG G. LEE, *Calgary, Alberta*

OFFICERS

GORDON R. TRAVIS, *President*
MARLENE M. KAZAKOFF, *Secretary-Treasurer*

HEAD OFFICE

720 STOCK EXCHANGE TOWER
800 Place Victoria
Montreal, P.Q.

TRANSFER AGENT

MONTREAL TRUST COMPANY
Quebec City, Montreal, Calgary & Vancouver

EXECUTIVE OFFICES

870 CALGARY PLACE NUMBER THREE
355 Fourth Avenue S.W.
Calgary, Alberta T2P 0J1

AUDITORS

THORNE RIDDELL & CO.
Calgary, Alberta

BANKERS

THE CANADIAN IMPERIAL BANK OF COMMERCE
Calgary, Alberta

REGISTRAR

MONTREAL TRUST COMPANY
Quebec City

SHARES LISTED

THE MONTREAL STOCK EXCHANGE
THE ALBERTA STOCK EXCHANGE

dynamic